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## EU-25

### Agricultural Situation

### Bulgaria and Romania accession arrangements

### 2005

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**Report Highlights:**

The Accession Treaty was signed in Luxembourg on 25 April 2005, after the European Parliament gave its assent. Bulgaria and Romania will become members of the European Union in January 2007. After the accession Bulgaria and Romania will benefit from transition periods for some specific issues, including agriculture. In this report, the main agreements on the Agriculture issues have been highlighted.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brussels USEU [BE2]  
[E3]

The Accession Treaty was signed in Luxembourg on 25 April 2005, after the European Parliament gave its assent on 13 April. After the signature of the Treaty, as acceding countries, Bulgaria and Romania have the status of active observers in the EU Council and in the committees and working groups of the European Commission. The active observer status enables both countries to sit in the EU institutions and to be involved in the decision-making process of the EU in the same way as the member states do, excepting the voting right.

The fulfillment of the negotiation commitments is closely monitored by the European Commission in cooperation with the Government of these two countries. A comprehensive monitoring report will be issued by the European Commission in autumn 2005. Once the treaty has been approved by the candidate countries and existing EU member states, Romania and Bulgaria will become members of the European Union in January 2007.

After accession Bulgaria and Romania will benefit from transition periods for specific issues in 8 chapters:

- 3 – Free movement of services,
- 4 – Free movement of capitals,
- 6 – Competition Policy,
- 7 – Agriculture,
- 9 - Transport Policy,
- 10 - Taxation,
- 14 – Energy and
- 22 – Environment.

Concerning **Rural Development**, there will exist temporary measures throughout the programming period 2007-2013, collected in Section I of Annex VIII of the Treaty, with a specific financial provision of EUR 3 041 million (2004 prices).

The temporary additional measures will include: support for semi-subsistence farms undergoing re-structuring; for producer groups to facilitate their establishment and administrative operation; support for measures for the acquisition of skills intended to prepare rural communities to conceive and implement local rural development strategies (LEADER +); to provide farm advisory and extension services; to complement direct payments; and technical assistance.

The total amount of support for investment in agricultural holdings, expressed as a percentage of the volume of eligible investment, shall be limited to a maximum of either 50% and, in less-favoured areas, 60%. In case of young farmers these percentages may reach a maximum of 55% and, in less-favoured areas, 65%.

In the areas covered by Objective 1 (i.e. aid for poorer regions), the financial contribution of the Community may amount to either 85% for agri-environment and animal welfare measures, and 80% for other measures, or the percentages established in the regulations concerning rural development in force on the date of accession, whichever is higher. Moreover, Bulgaria will have the possibility for 2007-2009 only of including dairy producers aged between 55 and 70 in early retirement schemes.

On the **Common Agricultural Policy** chapter, the direct aids are the same as for the ten new member States, which acceded in 2004, i.e. phased in over 10 years starting at 25%, in this case starting in 2007, with the possibility for (30%) top-ups out of national funds (or through switching Rural Development funds in the first 3 years after Accession). See GAIN Report E34004 for an explanation of the accession conditions for the ten new member states, which acceded in 2004. The direct aid envelopes will be roughly €780m for Bulgaria and €1.7 billion for Romania – i.e. €195m and €430m in 2007 (the 2008 budget), according to rough calculations by AGRA FOCUS on the basis of the final quota figures. Figures earlier this year indicated that €5.473 bn will be available for agricultural spending in this two countries in

2007-2009 (including €3 041 bn for Rural Development). Bulgaria and Romania will also be able to apply the Single Area Payment Scheme (SAPS) for up to 3 years after accession, but the EU-25 would be able to extend this for a further period if deemed necessary. However, unlike rules for the NMS, full cross-compliance rules should apply at the end of 3 years regardless of whether SAPS or the Single Farm Payment is applied from then on.

According to the Annex III, in the item referred to **taxation**, both countries may apply a reduced rate of excise duty, of not less than 50% of the standard national rate of excise duty on ethyl alcohol, to ethyl alcohol produced by fruit growers' distilleries producing, on an annual basis, more than 10 hl. of ethyl alcohol from fruit supplied to them by fruit growers' households. The application of the reduced rate shall be limited to 30 liters of fruit spirits per producing fruit growers' household per year, destined exclusively for their personal consumption, in the case of Bulgaria, and 50 liters in the case of Romania.

As regards **food hygiene**, Romania is to be granted a derogation for 28 dairies and 28 meat establishments from EU norms until the end of 2009. Any products from these plants will be for the domestic market only, and duly labeled as such. For Bulgaria, some 80 dairies will be granted a derogation from EU hygiene rules until the end of 2009, with products from these plants – amounting to roughly 30% of raw milk production – for the domestic market only, and duly labeled as such. Some 20 specific dairies will have the possibility of producing both “EU-compliant” and “non-compliant” milk, under certain conditions. The Sofia government has also negotiated a derogation until the end of April 2009 to market 2% fat milk as “Semi-Skimmed” and 3% as “Whole Milk” – for the Domestic market and/or non-EU markets.

Finally, on the **veterinary and phytosanitary** side, Romania will have a derogation to use plant protection products containing copper compounds, sulphur, acetochlor, dimetoate and 2,4-D (but not lindane) until the end of 2009, except for 2,4-D for which the deadline may be postponed until no later than 31 December 2008, as long as the companies producing these products take measures before then to phase them out.

Summary of final reference volumes / areas for Bulgaria and Romania			Bulgaria	Romania
<b>Arable</b>	Base area	000 ha	2 625.3	7 012.7
	Reference yield	t/ha	2.90	2.65
<b>Durum</b>	“Traditional” area	ha	21 800	-
<b>Grain Legumes</b>	Base area	ha	18 047	-
<b>Hops</b>	NGA	ha	275	198
<b>Nuts</b>	NGA	ha	11 948	1 645
<b>Dried Fodder</b>	NGQ	t	0	0
<b>Seeds NGQ</b>	Rice	t	833.2	100
	Other	t	936	2 295
<b>Rice</b>	Base area	ha	4 166	500
	Reference yield	t/ha	4.603	1.681
	Area payments	€/ha	345.225	126.075
<b>Sugar Prod Quota</b>	“A” quota	t	4 320*	99 240
	“B” quota	t	432	9 924
<b>Isoglucose Prod Quota</b>	“A” quota	t	56 063*	9 790
	“B” quota	t	0	191
<b>Sugar Max. Supply Needs</b>		t	198 748	329 636
<b>Cotton</b>	NGQ	t	9 115	-
<b>Flax &amp; Hemp NGQ</b>	Long fiber	t	13	42
	Short fiber	t	48	921
<b>Tomatoes</b>	Processing threshold	t	156 343	50 390
<b>Peaches</b>		t	17 843	523

Summary of final reference volumes / areas for Bulgaria and Romania			Bulgaria	Romania
<b>Wine</b>	Replanting rights	'000 has	1.5 x 153.5	1.5 x 188.7
<b>Tobacco Production Quota</b>	Virginia	t	9 023	4 647
	Burley	t	3 208	2 370
	Basmas	t	31.106	5 295**
	Kuba Lulak	t	3 800	-
<b>Dairy Production Quota</b>	Total***	'000t	979	3 057
	Deliveries	'000t	722	1 093
	Direct sales	'000t	257	1 964
<b>Reserve****</b>		'000t	39 180	188 400
<b>Milk fat reference</b>		g/kg	39.10	35.93
<b>Beef &amp; Veal</b>	Male premia	head	90 343	452 000
	Suckler cow	head	16 019	150 000
	Slaughter - adult	head	22 191	1 148 000
	Premium – calf	head	101 542	85 000
	National Envelope	'000 €	380.172	858.260
<b>Sheep &amp; Goatmeat</b>	Ewe Premium	Head	2 058 483	5 880 620
	Nat. Envelope	'000 €	2 176.16	6 216.78

Source: Accession Treaty and Agra Focus. N.B. Some figures are rounded. Notes:

\* Bulgaria has the additional option of switching 4 752 t sugar quota to Isoglucose quota in 2006

\*\* "oriental & semi-oriental, high consumption" tobacco varieties

\*\*\* Exact division of Total between direct sales and deliveries will be set in 2006 on basis of latest available figures

\*\*\*\* Dairy Reserve, possibly to be added to quota from 2009 on the basis of Commission report submitted by Bulgaria and Romania to the Commission by 31 December 2008. This report shall detail the results and trends of the actual restructuring process in the country's dairy sector and, in particular the shift from production for on-farm consumption to production for the market. For Bulgaria and Romania the levy shall apply from 1 April 2007

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